

## Outline of The role of IMF and World Bank in managing the Global Financial Crisis

What is the IMF?

-It is an international organization that **oversees the global financial system** by following Macroeconomics policies of its member states.

What is the World Bank?

-It is an international financial institution that provides financial and technical **assistance to developing countries** for development programs with the goal of reducing poverty.

IMF's role in managing the Global Financial Crisis:

- The IMF was formed in 1944, and was dedicated to restore the world's international payment system. Its purpose was to reduce poverty, secure financial stability, facilitate international trade, promote high employment and sustain stable economic growth.
- Membership Qualification: The application will be considered first by the IMF's Executive Board. After its consideration, the Executive Board will submit a report to the Board of Governors of the IMF with recommendations in the form of a "Membership Resolution." After the board of governors has adopted the "Membership Resolution," the applicant state needs to take the legal steps required under its own law to enable it to sign the IMF's Articles of Agreement and to fulfill the obligations of IMF membership.

World Bank's Role:

- The World Bank was created as a result of the Bretton Woods Conference in 1944. It was dedicated to lending money to developing countries for development projects, and to reduce poverty.
- The Key Points that the World Bank is focusing on in order to create economic growth.
  - 1. Build Capacity: strengthening governments and educating government officials.
  - 2. Infrastructure Creation.
  - 3. Development of Financial systems.
  - 4. Combating Corruption
  - Research and provide trainings: Provide trainings to those who are interested in the research of development issues from academia, students, government and non-governmental organization (NGO) officers

IMF and World Bank's Action (NOW)

The IMF had been calling for governments to take further actions in order to get credit flowing again. The IMF had been making plans, and advising countries throughout the years, but the financial crisis in Asia was also caused by the misdirection of the IMF. During the years back when Asia's economy had been rising steadily, and was considered a "miracle". The IMF had encouraged the countries in Asia of the liberalization of capital movement, which caused the bubble to get too big and pop later. Currently, the Fund has the formal authority to monitor and supervise financial flows that are connected with trade in goods and services, exchange rate movements, and credit flows and debt servicing. The IMF had requested an additional \$18 billion from the U.S. in replenishment funds after the depletion in the Asian financial crisis. After that experiment, the IMF had reformed a bit and set its goal to promote a more stable economic growth.